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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

LEA MÁRQUEZ PETERSON - Chairwoman

SANDRA D. KENNEDY

JUSTIN OLSON

ANNA TOVAR

JIM O'CONNOR

MAY 18 2021

DOCKETED BY

In the matter of)

MEROE CAPITAL GROUP LTD. a
Wyoming corporation, formerly a Nevada
corporation,)CASTLE INTERNATIONAL, INC., a
Wyoming corporation,)CASTLE INTERNATIONAL, LLC, an
Arizona limited liability company,)CASTLE AIR HOLDINGS, LLC, a Delaware
limited liability company,)

DAVID MILLER, an individual,)

JAYSON R. PAPA, an individual,)

Respondents.)

DOCKET NO. S-21123A-20-0290

DECISION NO. 78001

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, AND ORDER FOR
ADMINISTRATIVE PENALTIES, AGAINST
ALL RESPONDENTS**

On September 28, 2020, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Order for other Affirmative Action (the "Notice") against Meroe Capital Group Ltd., Castle International, Inc. and Castle International, LLC, Castle Air Holdings, LLC, David Miller, and Jayson Papa, (collectively, "Respondents").

On October 9, 2020, the Division served a copy of the Notice upon Castle International, Inc. and Castle International, LLC, via certified mail upon the company's statutory agent, Capital Administrations in Cheyenne, Wyoming. As explained more below, Castle International LLC

1 reorganized in 2017 and became Castle International, Inc. As a result, service on Castle International,
2 Inc. is service upon both entities.

3 On October 20, 2020, the Division served a copy of the Notice upon Meroe Capital Group,
4 LLC, via certified mail upon the company's known place of business in New York, NY, received by
5 a person authorized to receive mail on its behalf.

6 On October 28, 2020, the Division served a copy of the Notice upon Castle Air Holdings,
7 LLC, via certified mail upon the company's statutory agent, CT Corporation, in Wilmington,
8 Delaware.

9 On February 28, 2021, the Division served a copy of the Notice upon Respondents Miller and
10 Papa, via publication. On March 31, 2021, the Division filed a notice of this service along with an
11 affidavit in support of service and an affidavit of publication from the publisher.

12 No request for a hearing or answer to the Notice has been filed by any of the Respondents as
13 of April 12, 2021.

14 **I.**

15 **FINDINGS OF FACT**

16 1. Meroe Capital Group Ltd. ("Meroe") was initially formed in Nevada on August 5, 2009.
17 In its 2015 annual report, Meroe listed David Miller as its President, Secretary, Treasurer and Director;
18 it did not list any other officers or directors. Meroe was administratively dissolved as a Nevada entity in
19 2016 after failing to file its annual report that was due on August 31, 2016.

20 2. Prior to its dissolution in Nevada, on June 9, 2016, Meroe filed articles of continuance
21 with the Wyoming Secretary of State. These articles list David Miller as Meroe's President, Secretary
22 and Director.

23 3. David Miller is Meroe's only director and its only officer in every year but 2016, when
24 he was its principal officer. All of Meroe's actions described in this Order were taken by Miller acting
25 on behalf of Meroe.

1 4. Although Meroe purports to be a “Wall Street firm” and puts Wall Street addresses on
2 materials given to investors, offerees, clients, and business associates, Meroe is located and operates in
3 and from Phoenix and Scottsdale, Arizona. The Wall Street addresses are virtual offices in which Meroe
4 has no actual presence.

5 5. David Miller is an individual who resided in Arizona during the period relevant to this
6 Order, i.e. 2015 through 2019.

7 6. Castle International, LLC was formed in Arizona on September 5, 2013. On July 16,
8 2015, Castle International, LLC amended its articles to make Castle Air Holdings, LLC (“Castle Air”)
9 the only listed member with a 20% or greater interest and lists Papa as the entity’s manager. Papa signed
10 the articles of amendment in his capacity as manager.

11 7. Castle Air was formed in Delaware on April 6, 2015. Papa is Castle Air’s manager.

12 8. Jayson R. Papa is an individual who resided in Arizona during the times relevant to this
13 Order. He has been unmarried since May 2020.

14 9. On January 10, 2017, Castle International, LLC filed articles of continuation with the
15 Wyoming Secretary of State. About two weeks later, on January 23, 2017, Castle International, LLC
16 filed a document titled “Conversion – Articles of Incorporation” which converts Castle International,
17 LLC to a Wyoming corporation and changes the “LLC” in its name to “Inc.” This document also states
18 that the board of directors of Castle International, Inc. has one director, Papa. In its 2018 and 2019 annual
19 reports, Castle International, Inc. lists Papa as its president; no other officers are listed. After moving its
20 incorporation to Wyoming, Castle International, LLC’s registration status in Arizona remained active
21 until June 17, 2020, when it was administratively dissolved.

22 10. Castle International, LLC and Castle International Inc. will be referred to collectively as
23 “Castle International” in this Order.

24 11. During its entire existence, Castle International’s principal location was in Scottsdale,
25 Arizona.
26

1 12. Papa and Castle International formally retained Meroe/Miller to raise capital for Castle
2 International in early 2016. By early 2018, Miller had acquired enough of a position at the company that
3 Miller/Meroe sent letters to potential hires, spoke on behalf of the board of directors, and had installed
4 Miller's business associate and romantic partner, Ms. C. Fields, as Castle International's CFO. Ms.
5 Fields signed many of the notes described below, signed checks on behalf of the company, and
6 frequently was copied on and participated in correspondence between investors, Castle International and
7 Miller.

8 13. From April 2016 through April 2019, Respondents offered and sold securities in the
9 form of at least 22 notes to at least 11 investors, for a total of at least \$1,119,425.

10 14. Meroe offered and sold all 22 of the notes to all 11 investors.

11 15. Castle Air issued two of the notes, Papa issued one, and Castle International issued
12 the remaining 19. Papa signed at least nine of the notes.

13 16. At least five of the investors resided in Arizona at the time of the offer and sale. The
14 other investors were located in different states including Maryland, Florida and Georgia.

15 17. Investors paid for their notes by check or wire. Although Castle International and
16 Castle Air issued the notes, several investors sent their money to Meroe.

17 18. Investors have received returns totaling only \$259,445.

18 19. Meroe found the investors primarily by Miller striking up conversations with
19 strangers in public places, such as gyms and restaurants, and through referrals from investors.

20 20. When Miller met potential offerees, investors and clients, Miller would frequently
21 describe himself as a financial planner, investment banker, owner of an investment firm, or working
22 at a Wall Street firm. He would occasionally offer financial- and tax-planning services.

23 21. Miller/Meroe would also offer investment opportunities to persons Miller met,
24 including investment opportunities besides Castle International. These other investment
25 opportunities included offering an investment in a company that was developing a podcast-related
26 app, a company developing a bio-degradable substance that had many purported uses, and a real

1 estate development company. Meroe offered these other investments to at least four Castle
2 International investors. Meroe provided a description of at least two of the investments with a cover
3 page showing a picture of a statue on Wall Street and with a Wall Street address for Meroe. One
4 offeree later invested in two of these companies after Miller/Meroe introduced him to them. The
5 other offerees declined Meroe's offers for these investments.

6 22. From 2016 – 2019, Miller/Meroe offered and sold investments in Castle International.
7 Miller told offerees and investors that Castle International was an exciting company that conducted
8 medical transports domestically and did rescue missions outside the U.S. Miller told one investor that
9 the company did flights overseas that were “top secret government stuff” and he could not really say
10 more. Miller told another investor that the company handled high-level government contracts. At
11 least one investor was told that Papa had served in the military and several investors received
12 brochures about Castle International showing persons dressed in combat gear, holding guns.

13 23. Miller told one investor prior to investing that there was no way he would lose his
14 money since the note was due in 90 days and Meroe would guarantee payment. He told another
15 investor something similar, that since the investment was so short term, 90 days, there would be a
16 quick turn-around: Castle International would simply complete the flight, collect from the insurance,
17 and pay back the investor. Miller told one investor that Castle International was such a great company
18 that Miller had invested \$200,000; in another conversation with this same investor, Miller said he
19 had invested \$400,000.

20 24. Investors understood that their investments would go towards Castle International's
21 operating costs, either general operating costs or, in some instances, to fund specific medical flights.

22 25. Nearly every offer and sale of the investments described above—including some of
23 the offers for the real estate and app development companies—included a cover page or a “placement
24 summary” from Meroe showing a picture of a statue on Wall Street, listing Meroe's supposed Wall
25 Street address, and describing Meroe as an “investment banker.” In fact, Meroe did not have any
26 physical presence on Wall Street: both Wall Street addresses listed on Meroe's documents were

1 virtual offices. Meroe operated out of Phoenix and Scottsdale, Arizona. Meroe also did not have
2 multiple employees, as it implied by calling itself a “firm.” Instead, Meroe was essentially a one-man
3 operation—Miller being the sole employee for all or most of the entity’s existence.

4 26. At least half of the notes included a guarantee from Meroe that Meroe would perform
5 all the borrower’s obligations. Meroe induced offerees and investors to purchase notes based on this
6 guaranty and its description of itself as a Wall Street firm. Meroe failed to disclose that it was
7 essentially a one-man operation located in Arizona. Meroe also failed to provide any financial or
8 background information that a reasonable investor would need to assess the worth of Meroe’s
9 guaranty.

10 27. Respondents also gave the impression that investing in Castle International was very
11 low risk, a very exciting company run by an executive (Papa) who had served in the military. Miller
12 even told one investor that Miller was so excited about the company that he had invested over
13 \$200,000 of his own money. However, Papa has not served in the military and Miller did not invest
14 any of his own money in Castle International.

15 28. Meroe guaranteed notes as early as 2016. Only a few months later as notes became
16 due, investors failed to get paid. Meroe, however, failed to perform any of the duties of the note
17 borrowers, including the most important duty: paying the investors. Meroe did not disclose its and
18 Castle International’s and Castle Air’s history of not paying investors when Meroe offered and sold
19 notes to subsequent investors.

20 29. Meroe represented to investors and offerees that their investment funds would go
21 towards funding Castle International’s operations. In some instances, Meroe told investors their funds
22 would go towards “keeping planes in the air” and “making payroll.” At other times, the
23 representations were much more specific, with Meroe telling one investor that his funds would go to
24 funding a mission from Amman, Jordan to North Carolina; another that his money would fund a
25 flight to Syria; and another that his funds would fund a flight for a high-ranking government official.

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30. Despite these representations, on at least two occasions, investors paid for their investment by transferring funds totaling \$40,000 to Meroe. These investors expected Meroe to transfer the funds to Castle International for its operations. Instead, Meroe transferred over \$13,050 to non-Castle International accounts, \$12,000 to a family trust not related to Castle International, withdrew \$6,100 of cash, transferred \$1,581 to Miller, and spent over \$1,500 on restaurants, retail, car rentals, and dry-cleaning.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 making untrue statements or misleading omissions of material facts.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

9. Respondent Miller directly or indirectly controlled Meroe within the meaning of A.R.S. § 44-1999. Therefore, Miller is jointly and severally liable under A.R.S. § 44-1999 to the same extent as Meroe for its violations of A.R.S. § 44-1991.

10. Respondent Papa directly or indirectly controlled Castle International and Castle Air within the meaning of A.R.S. § 44-1999. Therefore, Miller is jointly and severally liable under A.R.S. § 44-1999 to the same extent as these entities for their violations of A.R.S. § 44-1991.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, and as a result of the conduct set forth in the Findings of Fact and Conclusions of Law in this Order, that Respondents shall pay restitution to the Commission in the principal amount of \$992,980 (\$1,119,425 less the \$259,445 returned to investors), with each Respondent's liability as follows:

- Respondents Meroe, Miller, and Papa, jointly and severally: \$992,980.
- Respondent Castle International: \$558,480, jointly and severally with Respondents Meroe, Miller and Papa.
- Respondent Castle Air: \$422,000, jointly and severally with Respondents Meroe, Miller and Papa.

Payment is due in full on the date of this Order.

Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the date of purchase until the date of this Order, subject to any legal offsets, pursuant to A.A.C. R14-4-308(C).

1 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
2 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)
3 at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
4 governors of the federal reserve system in statistical release H. 15 or any publication that may
5 supersede it on the date that the judgment is entered.

6 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
7 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
8 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
9 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors
10 shown on the records of the Commission. Any funds that the Commission determines it is unable to
11 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall, jointly
13 and severally pay an administrative penalty in the amount of \$100,000 as a result of the conduct set
14 forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order.
15 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as
16 allowed by law.

17 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding
18 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per
19 annum that is equal to one per cent plus the prime rate as published by the board of governors of the
20 federal reserve system in statistical release H. 15 or any publication that may supersede it on the date
21 that the judgment is entered.

22 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
23 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
24 shall be applied to the penalty obligation.

IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the Commission may bring further legal proceedings against that Respondent, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Lea M. Peterson

CHAIRWOMAN MÁRQUEZ PETERSON

James W. Kennedy

COMMISSIONER KENNEDY

Justin D. Olson

COMMISSIONER OLSON

Anna Tovar

COMMISSIONER TOVAR

James M. O'Connor

COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 18 day of May, 2021.

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MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov.

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